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## **Establishment of Pro Rata or Lump Sum Method at Time of Federal Authorization**

### **I. BACKGROUND**

- 23 CFR 630.106(f)(1) requires the Federal share of eligible project costs to be established at the time of project agreement execution either by Pro Rata, with the agreement stating the Federal share as a specified percentage, or by Lump Sum, with the agreement stating that Federal funds are limited to a specified dollar amount not to exceed the legal pro rata. As of February 1, 2013 FHWA requires that Caltrans begin formally documenting which method is to be utilized.

### **II. POLICY**

- In requests for Federal authorization to proceed, Local Agencies shall document whether the Federal-aid share is to be Pro Rata or Lump Sum, by phase and fund type.
- To conform with FHWA requirements, Caltrans will document the Pro Rata or Lump Sum Share in E76 transmittals in FADS.
- For the construction phase of work, the Pro Rata or Lump Sum share may be adjusted before or shortly after contract award in accordance with 23 CFR 630.106(f)(2). Requests for award adjustment must be submitted by a local agency to Caltrans within 90 days of contract award.
- In accordance with FHWA memo HCFM-10 (HCF-2012-002), attached, subsequent to an award adjustment, an increase in the Federal funding obligation beyond the established Lump Sum share may be allowable as a result of an increase to the total project construction cost. A Prior established Lump Sum amount less than the legal Federal share does not prohibit reimbursement up to the maximum legal share as described in the memo.
- For existing projects, for which the lump sum or pro rata method had not been established in previous project agreement processing, in the next request for adjustment, a local agency shall indicate the method to be established. Otherwise, the Pro Rata method will be assigned by default.

### **III. PROCEDURE**

- The Federal share to be established will be identified in a Local Agency's project Finance Letter submittal. The Sample Local Federal-Aid Finance Letter, LAPM Exhibit 3-O, has been revised in accordance with this Office Bulletin to include an entry field for the Federal Share method being requested. The LP2000 Finance Letter utility will be modified similarly for district entry. Correspondingly in FADS, the Fund Detail Screen has been modified to include a Federal share field in which either Pro Rata or Lump Sum must be selected for each fund detail line prior to District E76 transmittal to HQ.



#### IV. APPLICABILITY/IMPACTS


- Upon establishment of a Pro Rata or Lump Sum share for a specific Fund Detail line in FMIS (FHWA's Fiscal Management Information System), the same share method shall be set for that Fund Detail line for the life of the project. While not a preferred option, a multi-funded project may have a combination of Lump Sum and Pro Rata for different types of funds within the project (under such a scenario, the different types of funding must be shown in separate rows in a project finance letter).
- It is recommended that local/planning agencies "fully fund" (meaning that a project's Federal share is the maximum allowable) projects whenever possible. If it is necessary to program a project phase as underfunded, if it is anticipated that additional Federal funds might become available to the project at a later date to increase the Federal share, a local agency may consider programming Local Advance Construction (AC) in the project FTIP/FSTIP prior to a request for authorization for the respective phase of work.
- An attachment to this Office Bulletin provides sample funding scenarios to help illustrate some possible adjustments that might be made for the construction phase of a project established as either pro rata or lump sum share.

Recommended:

  
Adam Ambrosini, Committee Chair

1/31/2013  
Date

Approved:

  
Peter Anderson, Acting Chief  
Office of Implementation - North

1/31/2013  
Date

Attachments:

- 1) Sample Pro Rata and Lump Sum Funding Scenarios
- 2) LAPM Exhibit 3-O (Finance Letter)
- 3) FHWA Letter Dated October 26, 2012 (Fed Reimbursement Rate)
- 4) FHWA Memorandum dated January 3, 2012 (Modifications when using Lump Sum)